

UNCLAS SECTION 01 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU
DEPT FOR EUR/WE, EUR/ERA
DEPT PASS TREAS FOR OASIA HARLOW, JONES
STATE PASS FRB FOR GUST

E.O. 12958: N/A
TAGS: ECON EFIN EFIN EFIN IT UNCLASSIFIED PAGE ROME OF ECON IT UNCLASSIFIED PAGE ROME OF ECON IT UNCLASSIFIED PAGE ROME OF ECON IT UNCLAS
SUBJECT: THE EURO CHANGEOVER IN ITALY

REF: (A) 2002 MILAN 14 (B) 01 ROME 6222; (C) 01 MILAN

728 AND OTHERS

¶1. SUMMARY: ITALYS TRANSITION TO THE EURO WENT SMOOTHLY, WITH A FEW SNAGS PRINCIPALLY IN THE SOUTH. ITALIANS STOPPED USING LIRE ON FEBRUARY 28, ALTHOUGH BANKS, AT THE REQUEST OF THE BANK OF ITALY, HAVE EXTENDED THE DEADLINE FOR EXCHANGING LIRE FOR EUROS UNTIL JUNE 30. OPINIONS ARE MIXED ABOUT THE INFLATIONARY IMPACT OF THE CHANGEOVER. OFFICIAL DATA SHOW A MODEST IMPACT, WHILE CONSUMER ASSOCIATIONS ARGUE THAT THE INFLATIONARY EFFECT WAS FAR HIGHER, BUT T
NOT CAPTURED BY OFFICIAL STATISTICS. ITALYS FIRST COUNTERFEIT EUROS HAVE BEEN FOUND. END SUMMARY.

A LONG CHANGEOVER

¶2. THE ITALIAN EURO CHANGEOVER PERIOD WAS ONE OF THE LONGEST AMONG THE 12 EU COUNTRIES THAT ADOPTED THE NEW CURRENCY. GERMANY, NETHERLANDS, IRELAND AND FRANCE ALREADY FINISHED THEIR CHANGEOVER. ITALY WAS TO HAVE FINISHED BY FEBRUARY 28, BUT, AT THE REQUEST OF THE CENTRAL BANK, THE ITALIAN BANKING ASSOCIATION EXTENDED THE CHANGEOVER PERIOD FOR FOUR ADDITIONAL MONTHS UNTIL THE END OF JUNE. THE EURO WILL BE THE ONLY LEGAL CURRENCY IN ITALY STARTING MARCH 1, BUT CUSTOMERS MAY CHANGE LIRE INTO EURO, FREE OF CHARGE, AT BANKS UNTIL UNCLASSIFIED

PAGE 03 ROME 01059 01 OF 04 281501Z
JUNE 30. THERE WILL BE SOME CONDITIONS: THE MAXIMUM ALLOWED PER EXCHANGE WILL BE 1,000,000 LIRE (516 EURO) PER DAY FOR CHECKING ACCOUNT HOLDERS BUT ONLY 500,000 (258 EURO) DAILY FOR OTHER CUSTOMERS. LARGER TRANSACTIONS WILL REQUIRE MORE NOTICE. POST OFFICES, WHICH ACCEPT CURRENCY PAYMENTS FOR UTILITIES, SAVINGS PLANS ETC., ARE CONSIDERING EXTENDING THE CHANGEOVER PERIOD. AFTER MID-JUNE, CUSTOMERS MAY STILL CHANGE LIRE INTO EUROS AT BANK OF ITALY BRANCHES UNTIL FEBRUARY 2012, FREE OF CHARGE.

¶3. ITALY IS NOT THE ONLY COUNTRY OF THE EURO-ZONE THAT HAS EXTENDED THE CHANGEOVER PERIOD FOR BANKS. BANKS IN FRANCE, LUXEMBOURG, PORTUGAL, AND SPAIN WILL EXCHANGE NATIONAL CURRENCY FOR EUROS, FREE OF CHARGES, UNTIL END-JUNE. ANOTHER FOUR COUNTRIES (AUSTRIA, FINLAND, GREECE AND IRELAND) ARE DISCUSSING A POSSIBLE EXTENSION. IN THE NETHERLANDS, EXCHANGE WILL BE POSSIBLE UNTIL THE END OF 2002.

CHANGEOVER DATA

¶4. THE ITALIAN CHANGEOVER WENT SMOOTHLY, BUT THERE ARE STILL LIRE BANKNOTE CIRCULATING, NOTICEABLY IN SUPERMARKETS, SHOPPING CENTERS, MALLS AND RESTAURANTS. THE OVERALL VALUE OF LIRE CIRCULATING IN ITALY AT THE END OF 2001 WAS 120 TRILLION LIRE, EQUIVALENT TO 62 BILLION EURO. ACCORDING TO THE BANK OF ITALY, MORE THAN 1.6 BILLION LIRE BANKNOTE HAVE BEEN WITHDRAWN FROM CIRCULATION, VALUED AT ABOUT 90 TRILLION LIRE
UNCLASSIFIED

PAGE 04 ROME 01059 01 OF 04 281501Z
(46.5 BILLION EURO). THERE ARE REMAINING 30 TRILLION LIRE (15.6 BILLION EURO) OR 25 PERCENT OF LIRE VALUE STILL IN CIRCULATION. MOST LARGE LIRE BANKNOTES HAVE BEEN EXCHANGED FOR EUROS. DESPITE THE SUCCESS OF THE CHANGEOVER, 1.5 BILLION LIRE IN BANKNOTES ARE EXPECTED TO REMAIN IN CIRCULATION AFTER FEBRUARY 28, MOSTLY IN SMALL DENOMINATIONS. THE EXTENSION OF THE LIRA/EURO EXCHANGE DEADLINE IS EXPECTED TO HELP SMALL SHOPKEEPERS, THE ELDERLY AND OTHER GROUPS THAT HAVE BEEN SLOW TO ACCEPT THE EURO CHANGEOVER.

¶5. ACCORDING TO THE ITALIAN BANKING ASSOCIATION, DURING THE CHANGEOVER, ITALIAN BANKS HAVE WITHDRAWN 100 TRILLION LIRE (51.6 BILLION EURO) SO FAR AND ARE EXPECTED TO WITHDRAW ANOTHER 110 TRILLION (56.8 BILLION EURO) BY THE END OF FEBRUARY. (COMMENT: THE DATA REFER TO LIQUIDITY CONVERTED FROM LIRE TO EURO SO FAR, WITH NO IMPACT ON OVERALL LIQUIDITY.)

ONE- AND TWO-CENT COINS DEBATE

¶6. LATE IN JANUARY, ECONOMY MINISTER GIULIO TREMONTI MENTIONED THAT GOI IS CONSIDERING FOLLOWING FINLANDS

UNCLASSIFIED

UNCLASSIFIED PTQ1822

PAGE 01 ROME 01059 02 OF 04 281502Z
ACTION EUR-00

INFO LOG-00 AGRE-00 AID-00 CEA-01 CIAE-00 CTME-00 INL-00
DODE-00 ITC-00 DOTE-00 SRPP-00 EB-00 EXME-00 E-00
FAAE-00 UTED-00 VC-00 FRB-00 H-01 TEDE-00 INR-00
ITC-01 L-00 VCE-00 AC-01 NSAE-00 NSCE-00 OMB-01
OPIC-01 PC-01 ACE-00 SP-00 SSO-00 SS-00 STR-00
TEST-00 USIE-00 FMP-00 SNIS-00 NISC-00 DRL-02 G-00
SAS-00 /009W

-----6D4A2B 281502Z /38

R 281430Z FEB 02

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2491

DEPT OF TREASURY WASHDC
INFO AMCONSUL MILAN
AMCONSUL FLORENCE
AMCONSUL NAPLES
EUROPEAN POLITICAL COLLECTIVE
USDOC WASHDC

UNCLAS SECTION 02 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU
DEPT FOR EUR/WE, EUR/ERA
DEPT PASS TREAS FOR OASTA HARLOW, JONES
STATE PASS FRB FOR GUST

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLAS](#)
[UNCLASSIFIED](#)

PAGE 02 ROME 01059 02 OF 04 281502Z
SUBJECT: THE EURO CHANGEOVER IN ITALY

LEAD AND ELIMINATING ITS SMALLEST EURO COINS. TREMONTI TOLD REPORTERS THAT GETTING RID OF THE TINY ONE- AND TWO-CENT COINS WOULD CERTAINLY WIN THE FAVOR OF ITALIAN CITIZENS AND SAID HE WAS CAREFULLY CONSIDERING THE IDEA. BUT THE MINISTER, WHO WAS CRITICIZED AS A EURO-SKEPTIC IN THE WAKE OF HIS COOL RESPONSE TO THE INTRODUCTION OF THE NEW SINGLE CURRENCY, STRESSED THAT SUCH DECISIONS SHOULD NOT BE UNILATERAL. CALLS FOR SUCH A PRACTICE ARE GAINING MOMENTUM IN ITALY. THE MAYOR OF THE NORTHEASTERN CITY OF TREVISO, GIANCARLO GENTILINI, SAID THAT HE HAD WRITTEN TO TREMONTI URGING THE ELIMINATION OF THE COINS. GENTILINI SAID HE HAD HAD NUMEROUS COMPLAINTS FROM CITIZENS EXASPERATED BY THESE TWO MICROSCOPIC COINS. OUR WALLETS ARE ALREADY STUFFED TO OVERFLOWING WITH THE BIGGER COINS. THE CENTS WERE FINE BEFORE WORLD WAR II, WHEN MANY PEOPLE DIED OPIE DIED WITHOUT EVER TASTING THE JOY OF HANDLING A THOUSAND LIRE BANKNOTE.

[17.](#) GIANCARLO DEL BUFALO, OF THE EURO COMMITTEE OF THE MINISTRY OF ECONOMY AND FINANCE, DEFENDED THE EURO-CENTS, WHICH ALLOWED A MORE PRECISE CONVERSION OF LIRE PRICES INTO EURO PRICES. ECHOING THE OPINION OF FINANCE MINISTRY UNDERSECRETARY VITO TANZI, DEL BUFALO SAID THE MARKET WOULD BE THE ULTIMATE ARBITRATOR OF THE TYPE OF COINS USED.

UNCLASSIFIED

PAGE 03 ROME 01059 02 OF 04 281502Z
PUBLIC OPINION

[18.](#) ACCORDING TO A MID-FEBRUARY SURVEY BY THE UNION OF ITALIAN CHAMBERS OF COMMERCE AND THE POLLING COMPANY TAGLIACARNE INSTITUTE, THE CHANGEOVER WAS SMOOTH. THE SUPPLY OF EUROS IN BANK CHANNELS WAS SUFFICIENT IN MOST CASES: ONLY 17 PERCENT OF THOSE POLLED HAD PROBLEMS WITH OBTAINING EUROS AT BANKS. POST OFFICES DID EVEN BETTER: ONLY 11 PERCENT OF THOSE POLLED HAD PROBLEMS OBTAINING EUROS AT POST OFFICES. WITH RESPECT TO PRICE HIKES, 37 PERCENT SAID THAT EURO PRICES FOR GOODS AND SERVICES HAD INCREASED FROM THE LIRE PRICES. (THIS CONTRASTS WITH A MUCH GREATER NUMBER -- 55 PERCENT OF THOSE SURVEYED WHO SAID IN JANUARY THAT EURO PRICES WERE HIGHER.) THE POLL SHOWED A LARGE DIFFERENCE BETWEEN NORTHERN AND SOUTHERN ITALY IN TERMS OF EURO SUPPLY AND PRICE INCREASES. FORTY-ONE PERCENT OF THOSE SURVEYED IN THE SOUTH SAID THEY HAD SIGNIFICANT DIFFICULTIES AT THE POST OFFICE, WHILE ANOTHER 32 PERCENT SIGNALLED THE SAME DIFFICULTIES AT BANKS. SEVENTY-SEVEN PERCENT OF THE SAMPLE SURVEYED IN THE SOUTH LAMENTED UNJUSTIFIED PRICE INCREASES.

[19.](#) IN THE SOUTH, LONG LINES AT BANKS AND POST OFFICES PERSISTED THROUGH THE END OF JANUARY. EVEN AS THE FEBRUARY 28 DEADLINE APPROACHED, MANY TRANSACTIONS IN SMALL SHOPS WERE STILL BEING CARRIED OUT IN LIRE. TAXIMETERS, WHICH HAD BEEN CONVERTED TO EUROS IN ROME SOON AFTER THE NEW YEAR, STILL SHOWED PRICES IN LIRE IN NAPLES AS RECENTLY AS LATE FEBRUARY. SHOPKEEPERS

UNCLASSIFIED

PAGE 04 ROME 01059 02 OF 04 281502Z
IN NAPLES FREQUENTLY HAVE PROBLEMS MAKING CHANGE, AS MOST CASH DRAWERS CONTAIN FAR MORE LIRE THAN EUROS. DESPITE THE INITIAL CONFUSION, AND THE CONTINUING RESISTANCE TO THE NEW CURRENCY, BANCO DI NAPOLI OFFICIALS MINIMIZED THE PROBLEMS WITH THE CHANGEOVER IN THE SOUTH. THEY BELIEVE THAT THE PROCESS OF ADAPTATION WILL ACCELERATE QUICKLY ONCE THE LIRA LOSES ITS VALUE AS LEGAL TENDER.

INFLATIONARY IMPACT OF THE CHANGEOVER

[10.](#) ANECDOTAL EVIDENCE SHOWS THAT, IN SEVERAL SECTORS, PRICES WERE ROUNDED UP TO FACILITATE THE EURO CONVERSION. ONLY AFTER FIRST QUARTER RESULTS ARE IN WILL A MORE COMPLETE PICTURE BE POSSIBLE. OFFICIAL STATISTICS INDICATE A 0.5 PERCENT INCREASE IN PRICES FROM THE PREVIOUS MONTH BOTH IN JANUARY AND FEBRUARY. IN PARTICULAR, PRICE FIGURES FROM TWENTY ITALIAN CITIES, RELEASED ON FEBRUARY 21, INDICATE THAT THE YEAR-TO-YEAR INFLATION RATE INCREASED FROM 2.4 PERCENT IN DECEMBER AND JANUARY TO 2.5 PERCENT IN FEBRUARY. CENTRAL BANK CONTACTS SAY A 0.7 PERCENT INCREASE IN INFLATION IS LIKELY IN THE FIRST QUARTER BECAUSE OF

UNCLASSIFIED

UNCLASSIFIED PTQ1827

PAGE 01 ROME 01059 03 OF 04 281502Z
ACTION EUR-00

INFO	LOG-00	AGRE-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DATE-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00	OMB-01

OPIC-01 PC-01 ACE-00 SP-00 SSO-00 SS-00 STR-00
TEST-00 USIE-00 FMF-00 SNIS-00 NISC-00 DRL-02 G-00
SAS-00 /009W -----6D4A41 281502Z /38

R 281430Z FEB 02
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2492
DEPT OF TREASURY WASHDC
INFO AMCONSUL MILAN
AMCONSUL FLORENCE
AMCONSUL NAPLES
EUROPEAN POLITICAL COLLECTIVE
USDOC WASHDC

UNCLAS SECTION 03 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU
DEPT FOR EUR/WE, EUR/ERA
DEPT PASS TREAS FOR OASIA HARLOW, JONES
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLASSIFIED](#) [PAGE](#) [ROME](#) [OF](#) [ECON](#) [IT](#) [UNCLAS](#)

PAGE 02 ROME 01059 03 OF 04 281502Z
SUBJECT: THE EURO CHANGEOVER IN ITALY

THIS ROUNDING UP. THIS INCREASE WILL NOT BE EASILY ABSORBED DURING THE YEAR AND COULD PUSH THE YEARLY AVERAGE INFLATION RATE CLOSE TO TWO PERCENT. THERE WAS SOME ROUNDING DOWN AS WELL, WHICH COMPENSATED FOR A SMALL AMOUNT OF THE ROUNDING UP.

¶11. THE RESEARCH DEPARTMENT OF ITALY'S LARGEST INDUSTRIAL ASSOCIATION, CONFININDUSTRIA, CONSIDERS THE ACCELERATION OF INFLATION A TEMPORARY EFFECT OF THE CHANGEOVER, AND BELIEVES THAT THE DECELERATION WILL START IN THE NEXT TWO MONTHS. HOWEVER, AS A RESULT OF THE FIRST TWO MONTHS OF 2002, THE CONFININDUSTRIA ESTIMATE OF AN INFLATION RATE OF 1.5 PERCENT IN 2002 HAS HAD TO BE REVISED UPWARD TO ABOUT 2.0 PERCENT. THE MINISTRY OF ECONOMY AND FINANCE AND THE MINISTRY OF PRODUCTIVE ACTIVITIES CONTINUE TO TRUST IN THE ANTI-INFLATIONARY MECHANISMS SET UP BY THE GOI, AND PREDICT THAT THE CHANGEOVER WILL HAVE ONLY A MODEST INFLATIONARY IMPACT. OTHER GOI CONTACTS PREDICT THAT ADDITIONAL PRICE INCREASES MAY OCCUR ON MARCH 1, WHEN THE LIRA IS TAKEN OUT OF CIRCULATION. CARLO RIENZI, PRESIDENT OF THE LEADING CONSUMER ASSOCIATION, CODACONS, FORESEES SUBSTANTIAL PRICE INCREASES STARTING MARCH 1, WHEN LIRE PRICES WILL NO LONGER BE POSTED FOR COMPARISON. FROM THAT DAY, JUNGLE LAW WILL PREVAIL, RIENZI SAID.

¶12. THE CONSUMER ASSOCIATIONS, ADICONSUM, CODACONS AND UNIONE CONSUMATORI, SAY THAT THE INFLATIONARY IMPACT UNCLASSIFIED

PAGE 03 ROME 01059 03 OF 04 281502Z
IS HIGHER THAN THE GOI HAS REPORTED. THESE ASSOCIATIONS PLAN TO APPEAL TO ISTAT, THE CENTRAL INSTITUTE OF STATISTICS, WHICH IS IN CHARGE OF THE CALCULATION AND THE PUBLICATION OF THE PRICE DATA, REQUESTING THE COMPOSITION OF THE NEW INDEX AND THE METHODOLOGY FOR CALCULATION OF PRICE INCREASES. ACCORDING TO THE ASSOCIATIONS, THE JANUARY DATA DO NOT MEASURE THE REAL INFLATIONARY IMPACT OF THE EURO CHANGEOVER, WHICH, THEY SAY, MAY EQUAL AN AVERAGE INFLATION OF THREE PERCENT THIS YEAR. THE ASSOCIATIONS ESTIMATE THAT PRICES WILL INCREASE BY 14 PERCENT IN 2002 ON AVERAGE, WITH A LOSS OF PURCHASING POWER OF 557.77 EURO (USD 490) A YEAR PER HOUSEHOLD, APPROXIMATELY 40 TO 50 EURO PER MONTH. THE CONSUMER ASSOCIATIONS RECENTLY PUBLISHED A PAMPHLET HIGHLIGHTING PRICE INCREASES. HIGHWAY TOLLS ROSE BY 2.21 PERCENT, NATIONAL TELEVISION FEES BY 1.46 PERCENT, LOTTERY TICKET PRICES BY 16 PERCENT FROM 5,000 LIRE (EURO 2.58) TO THREE EUROS. IN MILAN, PUBLIC TRANSPORTATION TICKETS INCREASED BY 29.1 PERCENT, FROM 1,500 LIRE (EURO 0.77) TO ONE EURO.

MONEY-LAUDDING AND COUNTERFEITING

¶13. THE EURO HAS BLACK-MARKET BENEFITS THAT THE DOLLAR CANNOT MATCH. THE SINGLE CURRENCY GLIDES WITHOUT A TRACE ACROSS A NEWLY BORDER-LESS EUROPE IN BILLS DENOMINATED IN LARGE VALUES SCARCELY SEEN IN THE REGION. THE €500 NOTE THE HIGHEST DENOMINATION - IS UNCLASSIFIED

PAGE 04 ROME 01059 03 OF 04 281502Z
ALSO ABOUT FIVE TIMES THE VALUE OF THE LARGEST DOLLAR NOTE IN CIRCULATION, THE USD 100 BILL. WHETHER MEASURED BY WEIGHT OR VOLUME, THIS MEANS MORE EUROS CAN BE JAMMED INTO A BRIEFCASE THAN DOLLARS OR OLD EUROPEAN CURRENCIES. ACCORDING TO THE MINISTRY OF ECONOMY AND FINANCE, THE ARRIVAL OF THE EURO INCREASED THE RISKS OF MONEY-LAUDDING. THE PERIOD OF DOUBLE CIRCULATION LIRA-EURO REPRESENTS THE LAST CHANCE FOR HOLDERS OF ITALIAN LIRE OF ILLICIT ORIGIN TO TRY TO RECYCLE THROUGH THE CONVERSION IN EURO OR THROUGH THE PURCHASE OF GOODS AND INVESTMENTS.

¶14. ON FEBRUARY 19, LAW ENFORCEMENT OFFICIALS SEIZED NEAR ROME 25,000 COUNTERFEIT 50 AND 200 EURO BANKNOTES. THIS IS THE FIRST SEIZURE OF COUNTERFEIT BANKNOTES IN ITALY, WHICH WERE APPARENTLY OF HIGH QUALITY. COMMENT: THERE HAS NOT BEEN A NOTABLE INCREASE IN COUNTERFEIT CURRENCY IN ITALY. LAW ENFORCEMENT OFFICIALS AT POST AND IN ITALY IN GENERAL -- SAID THAT THEY EXPECTED A SIGNIFICANT UPSWING IN COUNTERFEIT EUROS IN THE FIRST WEEKS AFTER ITS INTRODUCTION, AS COUNTERFEITERS TESTED THE MARKETS AWARENESS ABOUT THE EUROS APPEARANCE. HOWEVER, THE EUROS SECURITY FEATURES SEEM TO HAVE

UNCLASSIFIED

UNCLASSIFIED PTQ1831

INFO LOG-00 AGRE-00 AID-00 CEA-01 CIAE-00 CTME-00 INL-00
DODE-00 ITCE-00 DOTE-00 SRP-00 EB-00 EXME-00 E-00
FAAE-00 UTED-00 VC-00 FRB-00 H-01 TEDE-00 INR-00
ITC-01 L-00 VCE-00 AC-01 NSAE-00 NSCE-00 OMB-01
OPIC-01 PC-01 ACE-00 SP-00 SSO-00 SS-00 STR-00
TEST-00 USIE-00 FMP-00 SNIS-00 NISC-00 DRL-02 G-00
SAS-00 /009W

-----6D4A59 281503Z /38

R 281430Z FEB 02
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2493
DEPT OF TREASURY WASHDC
INFO AMCONSUL MILAN
AMCONSUL FLORENCE
AMCONSUL NAPLES
EUROPEAN POLITICAL COLLECTIVE
USDOC WASHDC

UNCLAS SECTION 04 OF 04 ROME 001059

SIPDIS

BRUSSELS ALSO FOR USEU
DEPT FOR EUR/WE, EUR/ERA
DEPT PASS TREAS FOR OASIA HARLOW, JONES
STATE PASS FRB FOR GUST

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EFIN](#) [IT](#) [UNCLASSIFIED](#) PAGE ROME OF [ECON](#) [IT](#) [UNCLASSIFIED](#) PAGE ROME OF [ECON](#) [IT](#) [UNCLASSIFIED](#) PAGE ROME OF [ECON](#) [IT](#) [UNCLAS](#)
UNCLASSIFIED

PAGE 02 ROME 01059 04 OF 04 281503Z

SUBJECT: THE EURO CHANGEOVER IN ITALY

DISSUADED COUNTERFEITING, LAW ENFORCEMENT OFFICIALS AT
POST REMARKED. END COMMENT.

MMENT.

THE THAI THREAT & OTHER STORIES

¶15. THE EURO HAS ITS DOUBLES. THANKS TO THE
SIMILARITY BETWEEN THE OLD 500 LIRE COINS AND THE TWO-
EURO COINS (BOTH BI-METALLIC AND WITH ALMOST THE SAME
WEIGHT) IN THE FIRST DAYS OF THE CHANGEOVER, MANY OLD
500 LIRE COINS HAVE BEEN ACCEPTED FOR SMALL PAYMENTS
IN PLACE OF THE TWO-EURO COINS. THE 500-LIRE COIN IS
VERY SIMILAR, BUT IS WORTH ONLY ONE-EIGHTH (26 EURO
CENTS) OF A TWO-EURO COIN.

¶16. UNFORTUNATELY, THERE IS ANOTHER THREAT. THE THAI
10-BAHT COIN IS A PERFECT TWIN OF THE TWO-EURO COIN,
BUT IS WORTH ONLY 25 EURO CENTS. ANECDOTALLY, WE HAVE
HEARD THAT SOME TEN-BAHT COINS HAVE BEEN USED IN
AUTOMATIC CIGARETTE AND BEVERAGE DISPENSING MACHINES.

ROME MISCELLANY

¶17. FEWER THAN ONE THIRD OF ROME'S 365 AUTOMATIC BUS
TICKET DISPENSERS ACCEPT EURO COINS. ATAC, THE ROME
CITY TRANSPORTATION AGENCY, PROMISED THAT ALL WOULD
UNCLASSIFIED

PAGE 03 ROME 01059 04 OF 04 281503Z
ACCEPT EUROS BY THE END OF FEBRUARY. AN ESTIMATED
ED
FIVE- PERCENT OF GASOLINE STATIONS DID NOT ACCEPT EURO
BANKNOTES BY THE END OF FEBRUARY. BY MARCH 1, ALL
PARKING METERS WILL ACCEPT THE EURO.

COMMENT

¶18. DESPITE THE INITIAL INCONVENIENCE, THE ITALIAN
TRANSITION WAS SMOOTHER AND FASTER THAN EXPECTED AND
MORE ITALIANS ACCEPTED EUROS EARLIER THAN EXPECTED.
TOO MANY SMALL LIRE BANKNOTES STILL CIRCULATE OR AT
LEAST REMAIN TO BE EXCHANGED. THE BANKING
ASSOCIATIONS DECISION TO PROLONG THE ACCEPTANCE
PERIOD FOR LIRE SEEMS WISE, GIVEN THE 1.6 BILLION LIRA
BANKNOTES (WITH AN OVERALL VALUE OF 15.5 BILLION EURO)
IN CIRCULATION. THE ORIGINAL FEBRUARY 28 DEADLINE FOR
EXCHANGING THESE NOTES MIGHT HAVE MEANT A LAST MINUTE
CRUNCH, WHICH COULD HAVE CAUSED SERIOUS DELAYS IN
BANKS AND POST OFFICES. WE ARE MONITORING THE
INFLATIONARY IMPACT OF THE CHANGE TO EUROS, AND WILL
CONTINUE TO DO SO IN THE MONTHS AHEAD. WE WILL ALSO
KEEP AN EYE ON WHETHER THERE IS ANY DOWNWARD PRESSURE
ON PRICES (OR INCREASED DEMAND FOR GREATER
EFFICIENCIES) AS ITALIANS BEGIN TO NOTICE COST
DIFFERENTIALS FOR THEIR HIGH-PRICED GOODS AND SERVICES
COMPARED TO THEIR EURO-ZONE NEIGHBORS. END COMMENT

SEMBLER

UNCLASSIFIED

PAGE 04 ROME 01059 04 OF 04 281503Z

UNCLASSIFIED

>
2002ROME01059 - Classification: UNCLASSIFIED